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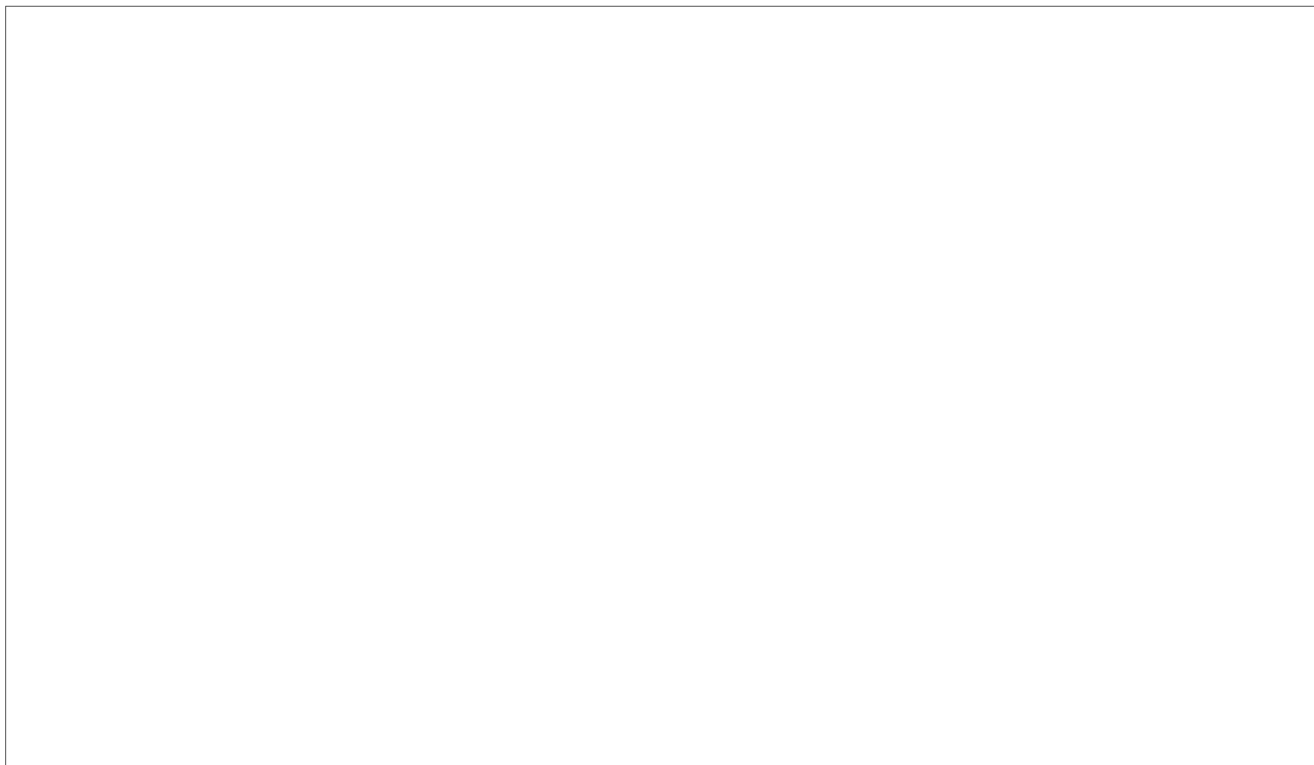
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GENERAL

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FAR EAST

2. Peiping allegedly ties Korean truce to UN membership and Formosa settlement:



the Peiping regime has decided not to sign a "Korean truce" unless it is seated in the United Nations and the status of Formosa is settled satisfactorily.

Comment: It is not clear whether "truce" refers simply to a cease-fire or to an over-all peace settlement.

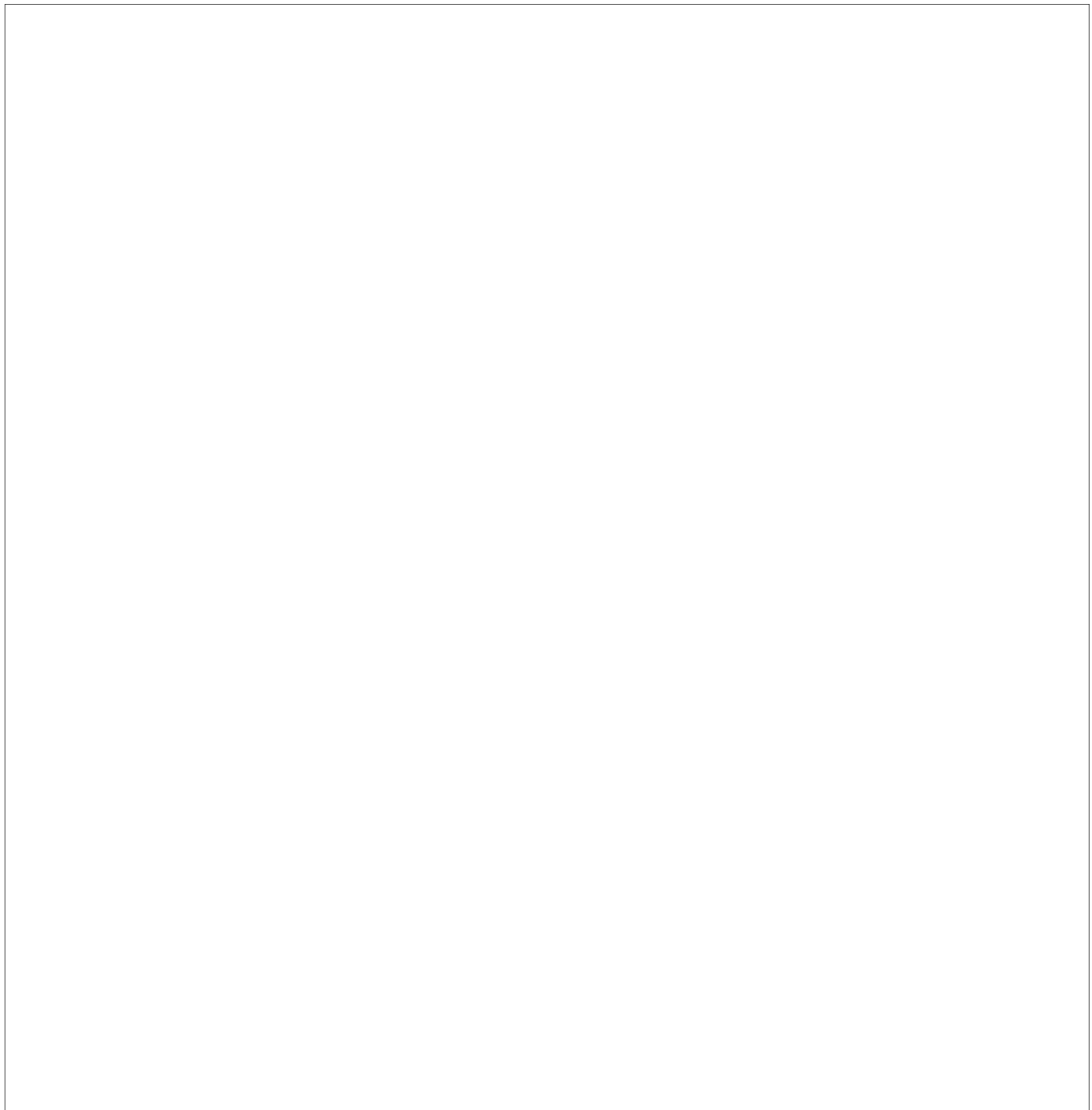
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Peiping's stated terms for a settlement, prior to the truce talks, included demands for admission to the UN and abandonment of American "neutralization" of Formosa.

Peiping has not introduced these demands during the talks as necessary conditions for a cease-fire. Its propaganda has suggested, however, that they will be brought forward in the political discussions which would follow a cease-fire.

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NEAR EAST - AFRICA

5. Comment on the Iranian situation:

National Front opposition and the Shah's unwillingness to give full support to Ahmad Qavam prevented his formation of a government.

Widespread civil disorders were coupled with a shutdown of railroads, telegraph, and many private businesses. The National Front urged its supporters to overthrow Qavam, and his assassination was threatened. Mullah Kashani, the influential religious leader, on 20 July publicly appealed to the armed forces to refuse him support. The Communist-dominated Tudeh, in an apparent bid for leadership of the anti-Qavam agitation, made common cause with the National Front and extensive anti-government plans were reportedly being drafted.

Qavam was prepared to meet these various threats with force. He had reportedly asked the Shah for approval of his plan to arrest Kashani and had recommended the temporary suspension of Parliament. The Shah could not make up his mind.

Qavam appears to have lacked an organization and a specific program. The developments leading up to his resignation, however, indicated that any new Prime Minister will have to meet the approval of the National Front. Having forced out an able and resolute politician, the Nationalists are now in a position to be even more uncompromising.

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6. Comment on new Egyptian Government crisis:

King Farouk's request to Hilali Pasha to assume the Egyptian premiership after Sirry Pasha's resignation represents a new effort to halt the steady deterioration of the Egyptian political situation. The recall of Hilali offers Egypt a new, if slim, opportunity to solve its domestic difficulties, as well as its long-term dispute with Britain. The King's action also represents a new attempt to oppose the return of the nationalistic Wafd.

If Hilali succeeds in completing his cabinet, there is a prospect that Egypt will once again have a relatively strong and honest government. The able Maraghi Pasha, who prevented the January riots from spreading to Alexandria and who has often been mentioned as a candidate for the premiership, is scheduled to assume the important posts of Interior and War and Marine once again. But even a strong government must face the basic issue of accord with Great Britain, on which neither side has yet been able to compromise.

A factor in Sirry's resignation was his differences with Farouk over the issue of Palace interference in army affairs, but his second-rate cabinet had little hope of progress on internal or external problems. Even Hilali will face the same issues: corruption in high places, Wafd Party antagonism, and the Anglo-Egyptian dispute, which caused his resignation less than three weeks ago.

WESTERN EUROPE

7. Soviet officials may change position on Berlin boundary controls:

greater Berlin is a provisional measure which will be rescinded after agreement on free all-German elections.



In a note of 20 July Soviet General Dengin, representative of the Soviet Control Commission in Berlin, states that the strengthening of the guard at the outer boundaries of

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The High Commissioner's office in Berlin notes that this statement may be significant in that Soviet officials previously indicated that the "protective" measure would be continued until unification, while Dengin suggests that the Soviet authorities may be prepared to reconsider their position before unification is actually put to a vote.

8. West German "Defense Minister" favors conscription this year:



  Theodor Blank, West German "Defense Minister," strongly favors the passage of selective service legislation by the Bundestag as early this fall as possible, in contrast to the government's present plan to wait until after the 1953 elections. The legislation would not be implemented until all countries had ratified the European defense pact.

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The present intention of the government is to ask the Bundestag this fall only for legislation to recruit volunteers for the cadres, which will comprise one third of the total force. Blank argues that delaying conscription would give the opposition Social Democrats a chance in 1953 to tell the voters, "If you want to be conscripted, vote for the Adenauer coalition."

Meanwhile, American officials in Bonn, stressing the temporary non-Cabinet nature of Blank's office, note that the build-up of German forces may be delayed for many months if there is not a considerable improvement in the coordination of Bonn's military and economic planning.

9. France hopes for temporary agreement with West Germans on Europeanization of Saar:

  Some Quai d' Orsay officials hope that a temporary French-German agreement on the Europeanization of the Saar will be reached this week by Foreign Minister

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Schuman and West German Chancellor Adenauer. These officials believe that a temporary agreement would enable Schuman to tell the French Assembly that the future German peace treaty would merely confirm the Europeanization of the Saar, while Adenauer could tell the Bundestag that provisional Europeanization left room for change at a later time.

Comment: Though originally proposed by Adenauer, the Europeanization of the Saar is not at the moment politically acceptable to his coalition government.